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18 June 1959

CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

EAST-WEST NEGOTIATIONS Page 1

Gromyko continues to reject any agreement which would affirm Western occupation rights in West Berlin indefinitely. Soviet spokesmen, however, have hinted at Moscow's willingness to soften its 10 June proposal of a one-year interim settlement in exchange for Western concessions, and they have reiterated earlier denials that this proposal was intended as an ultimatum. The USSR apparently is still interested in working out an agreement under which the West might remain in West Berlin for the time being on some new basis which would supersede the original quadripartite agreements. However, if the Allies remain united in rejecting such a formula, the Soviet leaders probably believe they will at least be able to maneuver the West into taking the initiative for a breakoff or an extended recess of the talks.

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MIDDLE EAST HIGHLIGHTS Page 4

The Iraqi Communist press has become increasingly critical of the Qasim government, especially of its decision to permit a number of Iraqis banished to distant parts of the country to return to their homes. Qasim seems to be trying to renew direct contact with the army officer corps, on which he would depend for support in any crisis. UAR President Nasir is reported apprehensive that the British are seeking to prevent him from re-establishing good relations with the West. A session of the Lebanese Parliament has been called for 23 June; this may intensify maneuvering over the possible formation of a new or expanded cabinet. New army violence in Yemen appears symptomatic of serious unrest which threatens Crown Prince Badr's government.

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JAPANESE - SOUTH KOREAN RELATIONS NEAR BREAKING POINT . . . Page 7

The tentative agreement reached in Geneva for the repatriation of Koreans in Japan to North Korea has provoked a South Korean suspension of all trade with Japan and may lead to a complete rupture of relations between Seoul and Tokyo. Seoul is threatening to use force to stop any repatriation ships. North Korea has enhanced its international standing by the Geneva negotiations, and will benefit from the deterioration in relations between South Korea and Japan.

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NOTES AND COMMENTS

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LABOR UNREST IN FRANCE Page 2

The failure of the major French labor unions to maintain their strike call for 16 June in the face of Premier Debré's order to mobilize rail workers who strike has temporarily enhanced the government's prestige and avoided the immediate threat of a general wage-price spiral. Labor agitation will probably increase, however, and the Communist-led General Labor Confederation now can claim that it has achieved cooperation with non-Communist labor on the national level.

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SPANISH LABOR FEARS STABILIZATION PROGRAM Page 2

Spanish labor, restive for some time over rising living costs, has in recent weeks become concerned over austerity measures in the economic stabilization program Spain is adopting to win membership in the Organization for European Economic Cooperation. Discontent has been greatest in Catalonia, where local Christian Democratic and Socialist leaders have reportedly felt compelled to support the Communist party's call for a 24-hour general strike on 18 June. Further threats of labor unrest may oblige General Franco to undertake a public defense and explanation of the stabilization program.

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EUROPEAN CIVIL AVIATION Page 3

An agreement concluded late last month in Paris has evidently cleared the way for formation of a powerful consortium--now called Airunion--comprising four of the five major airlines of the European Common Market countries. The Dutch line KLM has refused to participate for business and perhaps political reasons, and may try to form a rival consortium with such companies as Swissair and the Scandinavian SAS. In any event, the Airunion combine promises

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to accelerate competition with American and British lines on major international routes, and may feel it will be in a strong position to seek additional landing rights in the United States. [REDACTED]

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ICELAND'S GENERAL ELECTION Page 4

Iceland on 28 June will hold the first of two parliamentary elections required to revise the electoral law which now favors the rural areas. The campaign is being fought mainly on this and other domestic issues. Its outcome remains in doubt, but the Conservatives seem likely to emerge with increased strength though not with a clear majority of seats. The Social Democrats, who have constituted a minority government since the Communist-dominated Labor Alliance and the Progressives were ousted from the ruling coalition last December, stand in some danger of losing their parliamentary representation. Such a development would put the Communists back into a key bargaining position. [REDACTED]

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BLOC CONTINUES PRESSURE AGAINST MISSILE BASES IN GREECE AND ITALY Page 5

Khrushchev's reaffirmation, during his Albanian visit, of previous Communist proposals for a Balkan zone free of missiles and nuclear weapons has been followed up since his return to Moscow by diplomatic notes to Italy and Greece from the USSR and the Balkan satellites. Belgrade's response has been guardedly favorable, as in the past, but the proposals have had little effect on Italy and Greece. Statements by Khrushchev and the East German delegation during their visit to Riga last week revived the Baltic "sea of peace" theme and foreshadow a Soviet offensive to counter NATO in that area as well during Khrushchev's Scandinavian tour in August. [REDACTED]

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GRAIN CROP PROSPECTS IN USSR AND EUROPEAN SATELLITES . . . Page 7

A mediocre grain harvest--well below the 1958 bumper crop--is in prospect for the Soviet Union this year because of below-normal precipitation over the period since last October. Even if rainfall increases during the remainder of the growing season, it is doubtful that grain production will be above average. In the satellites the outlook has improved since 15 May as a result of recent rains. [REDACTED]

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YUGOSLAV PROBLEMS WITH YOUTH Page 8

Recent student demonstrations in Yugoslavia show that that country has had little if any more success than its satellite neighbors in winning the enthusiasm of its younger people. Although nonpolitical in inspiration,

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the demonstrations have alarmed regime officials. Their public explanations that foreign and domestic "enemies" caused the disorders and their privately expressed feeling that the situation is comparable to that which prevailed among students at the onset of the Hungarian revolt attest to the regime's concern over its continuing inability to win over the youth. Regime reaction has served only to heighten student dissatisfaction.

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SPEED-UP CAMPAIGNS FOR EAST GERMAN LABOR Page 9

East Germany, in an effort to achieve its ambitious industrial goals, is applying a variety of speed-up and extra-work systems which so far affect some 80 percent of its industrial labor force of nearly three million persons. These heavy pressures have already caused limited strikes, and will tend to nullify the boost recently given worker morale by improved living standards.

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SITUATION IN TIBET Page 10

Peiping is making a concerted effort in the wake of the revolt in Tibet to impose there the "democratic reforms" which had been postponed since 1957. A leading Chinese Communist expert on minorities has arrived in Lhasa, and many Tibetans and Tibetan-speaking Chinese have returned to Tibet after completing studies in China.

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AGITATION AGAINST COMMUNIST GOVERNMENT IN KERALA STATE . . Page 10

Agitation by Indian political and communal groups against the Communist government in Kerala State continues with mass demonstrations and sporadic violence. Serious clashes between agitators and Communist-directed police, in which 12 persons have been killed and many injured, now appear to be tapering off. Unless extensive violence recurs, the Communist government probably will be able to contain the agitation and thereby avert intervention by New Delhi.

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BURMA Page 11

Burmese Premier Ne Win's chief military advisers are urging him to modify his plans for general elections next winter by postponing them once again and allowing selected army officers to stand for Parliament. They argue that both ex-Premier Nu's "Clean" faction of the Anti-Fascist People's Freedom League and the Ba Swe - Kyaw Nyein "Stable" faction are worthless and that continued army participation

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in the government is necessary to preserve Ne Win's reforms. The premier appears confident, however, that the army can control whatever government may emerge. [REDACTED]

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CABINET CHANGES IN IRAN Page 12

The replacement of Iran's ministers of foreign affairs, interior, and commerce on 11 June suggests that the Shah intends to initiate a more forceful policy in both internal and foreign affairs. The Shah regarded former Foreign Minister Hekmat's attitude as "too old-fashioned to cope with Soviet diplomatic methods," but he believes the new minister, Jalal Abdoh, who has been Iran's permanent representative to the UN since 1955, is strong, experienced, and anti-Soviet. The newly appointed ministers of interior and commerce are regarded by American observers as inadequate for their positions. [REDACTED]

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RACIAL DISORDERS MAY BE IMMINENT IN SOUTH AFRICA Page 13

Disorders inspired by African nationalists may occur in the Union of South Africa on 26 June, marking the anniversary of the 1955 Freedom Charter which set forth the non-Europeans' demands for racial equality. A nationwide native boycott of goods produced by advocates of "apartheid" (segregation) is to begin on 26 June, and some African groups plan a public mass burning of native identity documents as a gesture of defiance against government racial regulations. Violence and bloodshed are likely if the police react with their usual severity. [REDACTED]

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INDONESIAN REBELS ATTACK RUBBER ESTATES Page 14

Indonesian dissidents are raiding North Sumatran rubber plantations in an economic warfare campaign designed to obtain funds and barter goods for the rebels as well as to obstruct the rubber production from which Djakarta obtains a large share of its foreign exchange. A disproportionate share of the attacks has been directed at American holdings, particularly Goodyear's Wingfoot estate, the largest rubber plantation in Indonesia. Government troops in the area appear reluctant to drive off the raiders. [REDACTED]

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CONSTITUTIONAL CRISIS MAY BE DEVELOPING IN SOUTH KOREA Page 16

Indications that President Rhee might agree to a constitutional amendment providing for the indirect election of the South Korean president and vice president by the National Assembly could lead to a constitutional crisis similar to those of 1952 and 1954. Such a change prior to the 1960 elections would assure Rhee's retention of the presidency without the necessity of resorting to embarrassing

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repressive tactics to overcome growing popular opposition to his administration. It also could destroy South Korea's embryonic two-party system by splitting the opposition Democratic party. [REDACTED]

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GUATEMALAN PRESIDENT'S POSITION WEAKENING Page 16

A new period of political tensions appears to be developing in Guatemala, where President Ydigoras has been steadily losing political strength. The important election on 5 July for mayor of the capital city is expected to engender bitter rivalries. The Communists are preparing demonstrations for 25 June, and these could get out of hand. Economic pressures are increasing as a result of lower coffee and cotton prices and a reduction in US aid. [REDACTED]

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IMPLICATIONS OF BRAZIL'S FINANCIAL CRISIS Page 19

Brazil's break with the International Monetary Fund (IMF) and its subsequent emergency request for a \$300,000,000 loan from the United States is being watched closely in South America as a test of US policy. Brazil is making the issue a question of "basic confidence" between the two countries. In Argentina, however, where President Frondizi is under critical pressure as a result of his US- and IMF-backed stabilization program, the minister of economy has expressed fears that Brazil's insistence on a loan without austerity measures as a prerequisite may wreck Argentina's efforts. [REDACTED]

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PART III**PATTERNS AND PERSPECTIVES****CHINA TIDYING UP ITS COMMUNES Page 1**

In an effort to win mass support for the communes and particularly to maintain incentives for the peasants, Peiping is making considerable changes in its commune system. It is introducing payments more closely geared to specified work norms, leaving important elements of daily commune operations to the control of subordinate units, providing for the private raising of hogs and fowl, suggesting that communes be more concerned with agriculture than industry, and--at least in some areas of South China--suspending temporarily the operation of communal mess halls. The top leadership is still firmly committed to the belief that communes are the best means to speed up China's "socialist construction," and they stand as a

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fundamental reorganization of China's rural society. There are indications that experimental work on communes in urban centers is going forward. [REDACTED]

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EDUCATIONAL REFORM IN THE SATELLITES Page 5

The East European regimes are taking measures to reorganize their educational systems along the lines of last December's changes in the USSR, which greatly increased the emphasis on vocational training in Soviet schools. The reforms are intended to create a reservoir of trained labor and to improve control over youths. Even Poland, which is attempting a somewhat different approach, has proposed that there should be a period of compulsory labor before students are eligible for college. [REDACTED]

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CONSTITUTIONAL CHANGE IN INDONESIA Page 13

Indonesian President Sukarno's call for return to the 1945 constitution is motivated by his belief that it would provide a legal basis for his concept of "guided democracy," a program for increasing the powers of the executive at the expense of political parties and Parliament. Indonesia's constitutional history began with the adoption of the 1945 constitution, a vaguely worded document designed to support an improvised, revolutionary government as the Japanese occupation gave way to the returning Dutch. During the ensuing 14 years, Sukarno, as the nation's first and only chief executive, has directed the country's political development with little regard for either the word or the spirit of whatever constitution has prevailed. [REDACTED]

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THE TAIWAN ECONOMY Page 16

Taiwan is maintaining a moderate economic growth, although there are a number of soft spots in the economy. Economic expansion has thus far kept ahead of the population growth, but the rate of investment is declining, the

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upward trend of military spending continues, and inflationary pressures will be intensified by a large budgetary deficit expected for the next fiscal year. Unless these trends are reversed, the rapid population increase ultimately will force a decline in living standards. With continuing American aid, prospects for a stable economy over the next few years seem good.

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PART I

OF IMMEDIATE INTEREST

EAST-WEST NEGOTIATIONS

Foreign Minister Gromyko maintained his firm opposition to any agreement which would perpetuate Western occupation rights in West Berlin indefinitely, as the Geneva conference moved into the decisive stage with the presentation of a final draft of Western proposals for a Berlin settlement. Gromyko made some brief preliminary comments in the restricted session on 17 June and reserved the right to make a more considered reply later.

The USSR apparently is still interested in working out an agreement under which the Western powers might remain temporarily in West Berlin on some new basis which would supersede existing agreements. Gromyko's tactics have been aimed at inducing the Western ministers to abandon or at least modify their insistence on an unconditional Soviet reaffirmation of Allied rights in Berlin and to agree to the compromise formula outlined by Gromyko in [] meetings the first week of June.

The Soviet leaders probably believe such a formula, which would omit any explicit reference to Western rights and be confined to specific arrangements governing Allied access, would advance the USSR's principal objective of obliging the West to consent to a change in the status of Berlin which would prejudice the Western position there. Agreement on this basis, in the Soviet view, would also open the way to a summit meeting.

Pressure on Britain

A key element in Soviet conference strategy has been the assumption that Britain would ultimately take the initiative to work out an accommodation on Berlin in order to prevent the negotiations from collapsing. The Russians probably regarded British Foreign Secretary Lloyd's return to London for consultations over the week end of 13-14 June as a crucial turning point in the conference. Following the [] meeting of the four foreign ministers in Geneva on 15 June, Gromyko reportedly expressed disappointment that Lloyd's trip had not produced a split among the Allies.

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Hints of Flexibility

The USSR followed up Gromyko's Berlin proposals of 9 and 10 June for a one-year interim settlement with statements designed to offset Western charges that the new plan confronted the West with another ultimatum and to encourage Western initiatives to arrange a compromise. Soviet spokesmen implied the USSR would be willing to amend and soften its proposals in exchange for Western concessions.

Khrushchev declared in his Riga speech on 11 June that the proposals were advanced "in the desire of furthering the success of the Geneva talks." Soviet propaganda stressed that the proposals are a "major step to meet the Western position half-way" and complained that the Western ministers had rejected them "without giving them serious study."

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the proposals were intended as a basis for further negotiation and were in no way an ultimatum.

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A TASS

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correspondent in Geneva noted this was the first time Moscow had even mentioned a continuation of Western occupation rights in West Berlin and said the USSR definitely has no intention of breaking off the talks.

In an effort to convey the USSR's desire to work out an accommodation, the counselor of the Soviet Embassy in Paris, in a talk with an American official in Geneva on 10 and 12 June, stressed the possibility of agreement on the question of Western forces in West Berlin if the Allies establish an "adequate" force level and indicate their intention to reduce this over a period of time if circumstances permit. On the issue of Western rights in West Berlin, the Soviet diplomat urged a formula that would avoid any reference to "occupation" so as not to contradict Khrushchev's repeated insistence that the occupation regime must not continue. He conceded that Western troops had the right, as victors in war, to remain in Berlin until a peace treaty is signed but argued that since they had not been used in an "occupation" sense for some years, some new basis should be devised to govern their status. He suggested the issue might be resolved by a formula stating in effect that "the Western presence in West Berlin is legitimate," without mentioning the term "occupation."

Summit Prospects

Soviet spokesmen have displayed both displeasure with the Western position making a summit meeting dependent on the outcome of the foreign ministers'

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talks and confidence that the West can be brought to the summit regardless of the results of the present conference. Gromyko, at the plenary session on 12 June, stated that "there is no foundation for any link between the results of this conference and the convening of a summit meeting."

uled to begin on 22 June--would not be limited to conclusions of last year's Geneva experts' conference reflects Moscow's aim to keep open the test cessation agreement issue during this crucial period in the foreign ministers' conference. Moscow's amended draft of the American proposal to hold technical-level meetings--accepted on 15 June by the United States and Britain with the understanding that the experts would be free to discuss "other relevant material"--clearly reaffirmed Soviet insistence on gearing such technical studies to the experts' conclusions last year.

The probable Soviet position at the technical talks was clearly suggested on 12 June when the Soviet delegate stated that, while new American data could be considered, the original experts' conclusions are "well established" and none of the new data have "detracted from their validity."

The Soviet delegate has continued his efforts to involve his Western counterparts in discussions on control-post staffing, charging that it is the Western "turn to come forward with new proposals." In a further effort to encourage Western movement, he suggested that if this issue were resolved, agreement should be possible on the question of whether veto rights would apply to the recruitment and dismissal of staff personnel.

The Soviet delegate has also attempted to demonstrate a

Nuclear Test Talks

The Soviet delegate's implied acknowledgment that technical discussions on high-altitude detection methods--sched-

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willingness to agree to technical talks on the crucial underground-test detection issue. He has repeatedly called for technical discussions on "criteria for suspicious events," expressing "surprise" that the Western delegations had not followed up their earlier interest in such talks. However, he has consistently refused to recognize the right of any technical group to modify the conclusions of the experts' report on this issue last year by taking recent American data on seismic phenomena into consideration. He has criticized Western efforts to introduce new data such as the Berkner Panel report as attempts to undermine the progress made at the 1958 experts' talks.

Western Reactions

The West European press views the Geneva conference with extreme pessimism, speculating whether the talks will be broken off sharply or recessed. Most West German papers doubt that a summit conference will be held unless Gromyko shows a conciliatory attitude on Berlin. The independent French paper, Le Figaro, comments that if the West had been more "constantly and spectacularly united" during the negotiations, Gromyko might have realized "the road he chose was not the best one leading to the summit."

The negative British press reaction to Gromyko's proposal on Berlin presented publicly on 10 June indicates that the immediate pressure on the Macmillan government to reach an agreement may have eased slightly. The influential Manchester Guardian, an advocate of rapprochement, calls on Moscow to take one step backward, rather than for the West to take a step forward.

The West Germans, with apparent French support, are reportedly urging a recess in the talks, providing a firm date can be set for resuming negotiations. Bonn and Paris probably feel that if the talks are broken off, public pressure for a summit conference will place the West in an unfavorable position. President de Gaulle, who has been lukewarm toward a summit meeting, told West Berlin mayor Willy Brandt on 11 June that the Western Allies must remain "resolute" on Berlin even though this entails the risk of war. British opinion still holds, however, that the West must persist in its effort to negotiate an easing of the Berlin crisis, preferably through a summit meeting. [redacted]

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[redacted] (Concurred in by OSI)

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MIDDLE EAST HIGHLIGHTSIraq

The Iraqi Communists, who have continued to press for official sanctioning of party activities in spite of Qasim's adamant stand, last week entered

into a new and more serious dispute with the prime minister. The party newspaper took strong exception to Qasim's decision to grant amnesty on the occasion

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of the 16-19 June Moslem religious holiday to a large number of Iraqis who have been in enforced residence in various parts of the country. The Communists contend that these are mostly "feudalists and reactionaries" whose release "will lead to nothing but disturbance of the peace and stability of the republic."

Several violent incidents between Communist and non-Communist elements have taken place over the past three weeks. The Communist press has complained that these were assaults by "reactionary groups" against trade unions, peasant organizations, and "other democratic bodies." It has also objected to curtailment of the activities of the Popular Resistance Forces and to the establishment of special units in some government departments to "watch progressive movements." A party spokesman has demanded a "purge" of Radio Baghdad on the grounds it is becoming a "den for opportunists and reactionaries" and a "branch of the National Democratic party."

At the same time, there are persistent reports of a major split within the central committee of the Communist party itself. One wing allegedly favors maintaining pressures of all types to force Communist participation in the government; the other counsels caution and continuing public support for Qasim until the hard core of the party has had time to improve the organization and discipline of its mass of recent adherents.

Some non-Communist army and government officials have

told Americans in Baghdad that they think a showdown between Qasim and the Communists is fast approaching. Unusual movements of Iraqi Army units to the Baghdad area have been noted, but it is not clear whether these are in anticipation of trouble or in preparation for the big celebrations on 14 July of the anniversary of the revolution. Qasim's most recent speeches, directed primarily at army audiences, suggest that he is trying to get back in contact with the "grass roots" of the army officer corps, whose support of him would be essential should a new crisis arise.

In these speeches to army groups Qasim has also mentioned an important announcement which he plans to make on 22 June and which he says "will consolidate Iraqi economic existence" and "surprise foreigners and imperialists." He may announce an agreement with the Western-owned Iraq Petroleum Company--which hitherto has had a concession to prospect for oil in almost all of Iraq--to give up a large part of its concession areas in the western part of the country. The company has long regarded these areas as relatively unpromising. In the future the Iraqi Government itself is expected to run oil exploration and exploitation operations in these areas with the assistance of Soviet specialists and technicians.

UAR

UAR policy appears to be drifting at the moment, awaiting further developments in Iraq. Cairo is still suspicious that Qasim may be a Communist in disguise.

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President Nasir also reportedly feels that his troubles with Israel over the use of the Suez Canal and the border troubles between Syria and Jordan may all be part of a larger British scheme to frustrate efforts to improve the UAR's relations with the West, particularly the United States. Characteristically, Nasir also sees the Iraqi Communists as an element in the unholy alliance. He is said to rationalize the UAR pressure on Jordan--the Syrian border is still partially closed--on the ground that this is necessary to keep the British master plotters on the defensive.

Much UAR attention is devoted to internal developments, primarily the elections for local committees of the National Union--the regime's latest device for guiding mass political activity. Reports from Damascus suggest that the elections there are regarded as a test of the strength of the Baath, the party led by Akram Hawrani and other radical nationalist politicians which pushed most strongly for the formation of the UAR a year and a half ago. Many of the old-line politicians and commercial interests are said to have entered into an alliance to defeat the Baath and thus discredit it in Nasir's eyes as a useful political organization. These groups are hopeful that they may have at least the tacit support of Syrian security chief Sarraj, although there has been no good evidence of his attitude.

Kuwait

The death this week of the Kuwaiti sheik who heads the Public Works Department, the most financially lucrative division of the Kuwaiti Govern-

ment, may precipitate a flurry within the ruling Subbah family over who gets this particular plum. The Kuwaiti Ruler has recently backed efforts to curb the extreme extravagance of the sheiks, who have even objected to indicating for what they intended to spend their drafts on the treasury.

Lebanon

Political activity in Lebanon again increased this week with the announcement of a new session of the Lebanese Parliament scheduled for 23 to 30 June. This session has been called to "consider" some 160 decree laws issued by the four-man Karami cabinet. Should serious opposition arise in the assembly, new political complications could follow. The decrees, which make up the bulk of the behind-the-scenes work of the cabinet over the past six months, are administrative reform and legislative measures designed to enhance the government's authority in many areas.

The American Embassy in Beirut feels that the decrees, if implemented, would have the effect of substituting a non-political civil service for the present structure dominated largely by followers of former President Chamoun. Full implementation, however, would appear very doubtful, since the idea of a nonpolitical bureaucracy probably strikes most Lebanese as impossible.

Yemen

New army violence has occurred in Yemen, apparently as a result of new local incidents which awakened the hostility of the Yemeni Army to civilian

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authority. The situation appears to be symptomatic of serious unrest and indiscipline which could threaten Crown Prince Badr's government.

Some observers feel that the real need is for the return of the Imam--who is still under medical treatment in Italy--to "cut off a few heads." Certainly the recurring violence at least damages the crown prince's prestige and distracts the people's interest from the "reform" program on which Badr has been urging them to fix their attention.

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JAPANESE - SOUTH KOREAN RELATIONS NEAR BREAKING POINT

Long-standing strained relations between Tokyo and Seoul have been brought to the breaking point by a tentative agreement reached on 11 June between the representatives of the Japanese and North Korean Red Cross organizations in Geneva for the voluntary repatriation of Koreans in Japan to North Korea. South Korea has already severed all trade relations with Japan, and final agreement in Geneva may lead Seoul to break its limited diplomatic relations with Tokyo and to step up action against Japanese fishing boats. The agreement still requires approval by the International Committee for the Red Cross (ICRC), as well as by Tokyo and Pyongyang.

There are indications that Seoul will attempt to include in its trade embargo about \$40,000,000 worth of American aid goods purchased annually in Japan for South Korea. Other retaliation might be taken, including attempts to interfere with repatriation ships, which the South Koreans have threatened to stop by force.

The tentative agreement at Geneva was made possible by Japanese concessions accepting an

"advisory" rather than a "supervisory" role for the ICRC, and dropping plans for a formal grievance committee.

Although agreement was reached without major concessions on the part of North Korea, Pyongyang modified its initial stand on two points. It agreed to some ICRC participation and to the drawing up of new lists of repatriation applicants, making no use of those already prepared by pro-Communist Korean groups in Japan.

An official of the ICRC has indicated that the committee is confident it can exercise sufficient influence as adviser to the Japanese Red Cross to assure the Koreans in Japan full freedom of choice as to repatriation. Foreign Minister Fujiyama also has publicly expressed the belief that the ICRC will approve the agreement. While North Korea might attempt in some way to circumvent the ICRC, Japanese officials have indicated that ICRC disapproval would block the repatriation.

Further aggravation of relations between Japan and South

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Korea was probably a major North Korean motive in seeking the repatriation settlement. Pyongyang probably hopes also that the United States will be embarrassed by a further deterioration of relations between two of its Asian allies.

North Korea can be expected to take full propaganda ad-

vantage of an agreement with a free-world country as an indication of increased international prestige. These advantages will partially offset any damage to North Korea's position which might result if relatively few of the 600,000 Korean residents in Japan desire repatriation to North Korea.

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LABOR UNREST IN FRANCE

The failure of the major French labor unions to maintain their strike call for 16 June in the face of Premier Debré's order to mobilize rail workers who strike has temporarily enhanced the government's prestige and avoided the immediate threat of a general wage-price spiral. Labor agitation will probably increase, however, and the Communist-led General Labor Confederation (CGT) can claim that it has achieved cooperation with non-Communist labor on the national level.

French labor, particularly in the nationalized industries, is increasingly inclined to feel it is bearing the brunt of the current economic stabilization program. A slight disparity between wage and price rises over the past year has been aggravated by cutbacks in special allowances and a reduction in the hours worked. Meanwhile, official expressions of satisfaction over increasing improvement in the national financial position, along with evidence of a renewed business upswing, goaded labor to demand wage hikes pending since 1957 in the nationalized industries.

Debré maintains that it is too early to relax his austerity program. He insists that productivity increases must be large enough to cover some price reduction and investment as well as compensate for wage rises. The unions called off the strike on condition that

the government open wage negotiations. Minister of Transport Buron agreed to discuss a productivity bonus now and wage increases in November, when the 1960 budget will be prepared.

While both the government and the non-Communist unions apparently wanted to avoid a test of strength with wide political repercussions, the Communists will be able to use this incident to advance their appeals for unity of action between Communist and non-Communist unions. Heretofore the Socialist and Catholic confederations had been relatively successful in avoiding the implication of broad agreement on strike action with the CGT. Union statements that "government decisions are not of a nature to eliminate the causes of the dispute" indicate that labor intends to press its demands, and the CGT will probably avoid using labor issues politically in an effort to work closely with the free unions.

In any event, the tense labor situation will bring increasing problems to the left-wing political parties. The Socialists view the government action as "paternalism" and may be forced to take the lead in more active opposition, particularly if the other leftist elements now seeking to organize a new political formation continue to show a willingness to consider cooperation with the Communists.

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SPANISH LABOR FEARS STABILIZATION PROGRAM

Spanish labor, restive for some time over rising living costs, has in recent weeks become concerned over the austerity measures in the economic stabilization program Spain is

adopting to win membership in the Organization for European Economic Cooperation (OEEC). Discontent has been greatest in in Catalonia, where local Christian Democratic and Socialist

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leaders have reportedly felt compelled to support the Communist party's call for a 24-hour general strike on 18 June.

Protest strikes broke out in May in several plants in the Barcelona area after management resorted to production cutbacks, elimination of overtime pay, and layoffs in order to stay in business. Living costs are rising, but the government opposes new blanket wage increases. The official position, most recently stated by the labor minister on 28 May, is that pay boosts must be tied to greater productivity and achieved through collective bargaining on a company-by-company basis.

The stabilization program, recently negotiated between Spanish officials and OEEC and International Monetary Fund experts, calls for restrictions on public expenditures and on the extension of credit by private banks, elimination of multiple exchange rates, abolition

of price and trade controls, and liberalization of imports. Final approval is expected during the visit of a high-level OEEC mission to Madrid starting on 22 June. Labor is particularly worried that curbs on bank credit will force industry to curtail output and dismiss workers.

No high-ranking government official has yet explained publicly and adequately the objectives and implications of the program. Recent pronouncements by the commerce and finance ministers have avoided the more controversial aspects; the former stated that stabilization was possible without harsh effects on the economy and would improve living standards. General Franco himself, although said to support the program fully, has avoided taking a public position, probably to escape personal blame for the hardships it may impose on the working class.

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EUROPEAN CIVIL AVIATION

The agreement concluded late last month in Paris by representatives of Air France, Lufthansa, Alitalia, and Sabena has evidently cleared the way for formation of a powerful consortium comprising four of the five major airlines of the European Common Market countries. It may still be some time before the combine--the name of which has been changed from Europair to Airunion--is in full operation, but the result will probably be accelerated competition with American and British civil aviation and the formation of other, competing combines. The Airunion partners may also intend to concert their demands for additional landing rights in the United States.

The major feature of the Airunion agreement is the arrangement for disbursement of revenues--for the present in accordance with current contributions by the partners but eventually on the basis of agreed quotas. Air France ultimately will get 34 percent; Lufthansa, 30 percent; Alitalia, 26 percent; and Sabena, 10 percent. This sliding scale allows for anticipated expansion of the German and Italian lines, the difficulty which led the Dutch KLM line to withdraw from the Europair negotiations last April. The agreement, which runs for 99 years from April 1960, also provides for a provisional Airunion secretariat in Paris and for permanent committees to put the combine in operation.

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Recent statements from the four companies indicate the ambitious objectives of the consortium. Airunion will handle joint sales and centralized advertising, coordinate schedules and use of aircraft, centralize aircraft maintenance, and assign routes to the partners. This program has not yet been worked out in detail, and it is not clear to what extent the individual airlines will lose their identities and merge their personnel.

The companies anticipate that their total ton/kilometer passenger capacity--now roughly equal to that of Pan American--will more than double in 9 to 12 years. These expansion plans make the future of KLM, now one of the best established airlines in Europe, doubly uncertain. Although the Airunion agreement is open to others, KLM has been warned that it

would have to accept the conditions set forth by the charter members. On the other hand, Airunion partners have shown some concern that the Dutch might invoke the anticartel provisions of the Common Market treaty or join a non-Common Market consortium of such companies as Swissair, the Scandinavian SAS, and British European Airways.

Such a move would tend to confirm the suspicion that increasing Dutch disenchantment with the European integration movement is a factor in KLM's attitude toward the air consortium despite the absence of any direct connection between Airunion and the Common Market. A high Dutch official who recently became vice president of KLM has been one of the most persistent critics of the Common Market--particularly of French-German influence in it.

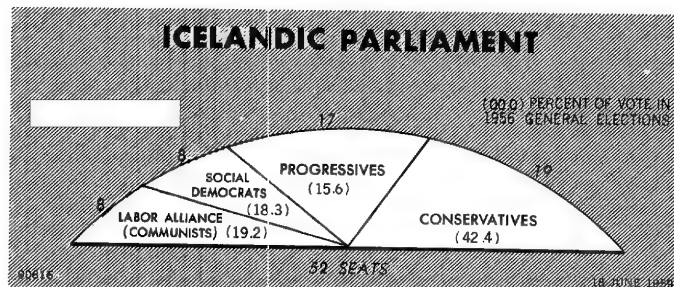
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ICELAND'S GENERAL ELECTION

Iceland on 28 June will hold the first of two parliamentary elections required to revise the electoral law. The campaign is being fought primarily on this and other domestic issues. The electoral proposal, aimed at correcting the existing overrepresentation of rural interests in the Althing (parliament) by retermining the constituencies, already has been approved by the Althing with the support of the Conservatives, the Communist-dominated Labor Alliance, and the Social Democrats. The largely rural Progressives bitterly oppose

the revision, since they stand to lose heavily by the projected redistricting.

The election outcome remains in doubt, but the Conservatives seem likely to emerge with increased strength though not with a majority of seats. The dissension-ridden Labor

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Alliance and the Progressives seem likely at least to hold their own.

The Social Democrats, who have constituted a minority government with Conservative parliamentary support since the Labor Alliance and the Progressives were ousted from the ruling coalition last December, fear losses and could conceivably lose their representation entirely through failure to capture the single directly elected Althing seat necessary for their other votes to be counted under proportional representation. This is because the party is not running in alliance with Progressives as it did in 1956 when three of its four directly elected Althing seats were gained mainly as a result of Progressive support.

As the present minority government, the Social Democrats may have incurred some labor antagonism by their anti-inflationary program and refusal to yield on wage terms. The Labor Alliance, seeking to gain undisputed title as labor's cham-

pion, is subjecting the Social Democrats to special attack. These negative factors may be partially offset, however, by the popularity among urban groups of the government's efforts to curb inflation and reduce prices of essential commodities.

The successful outcome of the constituency reform depends on whether the Conservatives and the Social Democrats emerge from the elections with a majority--at present they control 27 of the 52 seats in parliament. A setback for either of these two parties would not only postpone action on the electoral reform measure, but it would also put the Communists in a pivotal position, with the Conservatives and Progressives vying for their support. The Communists' price would be high, and they might be able to exact concessions at the expense of Iceland's NATO ties. The Communists would also be likely to demand more extreme measures in the fishing dispute with Britain such as breaking off diplomatic relations with London.

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BLOC CONTINUES PRESSURE AGAINST MISSILE BASES IN GREECE AND ITALY

The intensified Soviet attack on projected US missile bases in Italy and Greece, which was a major theme of Khrushchev's Albanian visit, has been followed up in diplomatic and propaganda moves by Moscow and the Balkan satellites. A second note from Moscow to the Italian Government on 10 June repeated that the setting up of missile bases on Italian territory increases the danger of nuclear war. It again urged the conclusion of a Soviet-Italian treaty of friendship and nonaggression and again called for prohibition of nuclear weapons in the Balkan-Adriatic zone.

The Italian Foreign Ministry as of 12 June had drafted a note in answer, welcoming disarmament measures as long as they are based on adequate inspection and control.

Rumania on 6 June issued a formal note to Greece reiterating all the provisions of Rumanian Premier Stoica's 1957 proposal for a Balkan conference to include Rumania, Bulgaria, Albania, Yugoslavia, Greece, and Turkey. The note did not mention Italy. It repeated Khrushchev's threat that if Greece installed missile bases, countermeasures must follow

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from the "threatened countries," adding that there can be no Balkan rapprochement as long as there are missile bases in Greece. There was a new suggestion that after agreement had been reached in the Balkans, a guarantee of the Balkans as a zone of peace should be sought from the "great powers."

In a 9 June note to Athens, Bulgaria proposed negotiations to settle all outstanding financial differences, including Greek claims on Bulgaria for World War II reparations; conclusion of a bilateral nonaggression treaty; and a Balkan conference of heads of state or their representatives.

Athens has responded firmly and in detail to both the Soviet and Rumanian notes, but it does not intend to reply to the latest Bulgarian note. The Greek position is that a denuclearized zone in the Balkans and a Balkan conference designed to promote such a zone are unrealistic, in view of Soviet claims of world-wide rocket capability, and that any attempt by threat or propaganda to force Greece to prohibit rocket bases is unacceptable interference in Greek internal affairs.

On 15 June the Albanian Council of Ministers issued a statement supporting the 6 June Rumanian declaration. The Albanians propose, however, that the whole "Mediterranean basin" be kept free of nuclear weapons. They cite Khrushchev as the source of this proposal and state incorrectly that it was also mentioned in the Rumanian declaration. The Albanian statement does not mention the Rumanian proposal that a Balkan

nonaggression zone be guaranteed by the "great powers."

Yugoslavia's attitude toward a Balkan summit conference and the denuclearization of the Balkans closely parallels that of the bloc. Apparently somewhat embarrassed by this, Belgrade has qualified its support for these proposals in such a way that, regardless of future actions in this sphere, it will retain considerable freedom of action. Tito emphasized in an 8 June speech that Khrushchev's proposal for a missile-free Balkan and Adriatic zone is unrealistic unless "states in this area cooperate normally and maintain neighborly relations on the basis of mutual respect." He added, however, that such a zone has long been Yugoslav policy.

Yugoslav reaction to Khrushchev's remarks regarding a Balkan conference has been reserved. Government spokesman Kunc on 5 June stated that Belgrade had received no invitation to such a conference, and that Yugoslavia's attitude--that it will attend if all other Balkan states also consent to be present--is "already known."

Statements by Khrushchev and the East German delegation during their visit to Riga last week revived the Baltic "sea of peace" theme and foreshadow a Soviet offensive to counter NATO in that area as well during Khrushchev's Scandinavian tour in August. The USSR may put heavy pressure on Finland to join the campaign for a Scandinavian zone free of nuclear weapons and missiles

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GRAIN CROP PROSPECTS IN USSR AND EUROPEAN SATELLITES

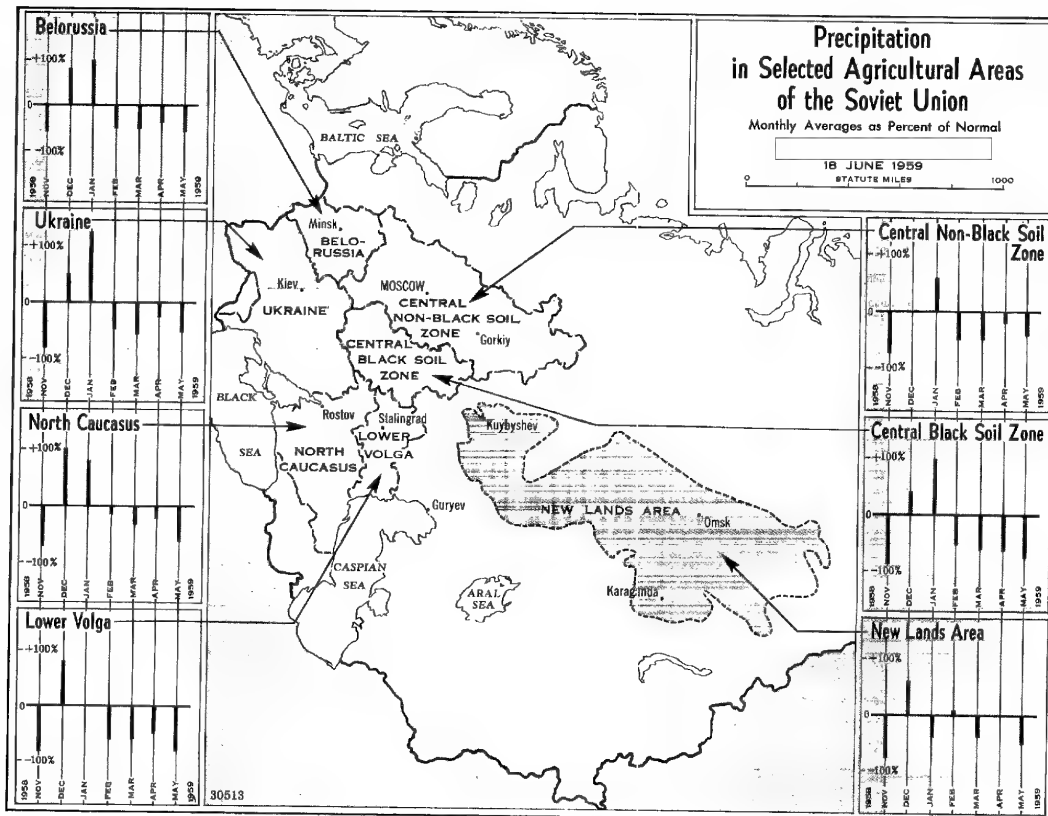
A mediocre grain harvest--well below the 1958 bumper crop--is in prospect for the Soviet Union this year because of below-normal precipitation over the period since last October.

Spring seeding in the USSR started earlier than usual this year because of above-normal temperatures and relatively dry weather in the principal agricultural region during March and April. By 5 June the acreage of spring crops sown on collective and state farms was 310,800,000 acres and the plan for spring seeding had been fulfilled by 100.6 percent. About 306,400,000 acres, or 99 percent of plan, had been sown by 5 June last year.

The advantage of a longer growing season resulting from

the early spring apparently will be offset this year by the limited soil moisture. Precipitation from October 1958 through March 1959 was some 10 to 20 percent below normal. Rainfall during April in the principal agricultural areas was some 30 to 40 percent below normal and during May was somewhat less than half the normal amount. Even if rainfall increases during the remainder of the growing season, it is doubtful the grain production will be above average. If rainfall continues below normal during the late spring and early summer, grain yields will be well below average.

In the Balkan satellites, the outlook for spring-planted crops has improved since 15 May as a result of rain during the



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last week in May and the first week in June. It is doubtful, however, if the rains occurred in time to benefit yields of winter wheat and rye in Bulgaria and Rumania.

Crop prospects continue to be favorable in the northern satellites with the possible exception of the eastern half of Poland, where May precipitation was about 50 percent below normal.

(Prepared by ORR) 25X1

YUGOSLAV PROBLEMS WITH YOUTH

Recent student demonstrations in Yugoslavia show that that country has had little if any more success than its satellite neighbors in winning the enthusiasm of its young people. Although nonpolitical in inspiration, the demonstrations have alarmed regime officials. Their public explanations that foreign and domestic "enemies" caused the disorders and their privately expressed feeling that the situation is comparable to that which prevailed among students at the onset of the Hungarian revolt attest to the regime's concern over its continuing inability to win over the youth. Regime reaction has served only to heighten student dissatisfaction.

A demonstration of 3,000 students in Zagreb on 11 May was sparked by bad food served in the university's dining hall. After a student delegation failed earlier in the day to receive satisfaction from Zagreb People's Council President Holjevac, a large group of students gathered at the university. They left the university area and began marching toward the offices of Croatia's party boss. Police drove their vehicles into the crowd, injuring up to 150, and arrested the ringleaders. A similar demonstration over bad

food occurred at Skoplje University on 20 May, but was confined to the university grounds and was halted much sooner.

The regime claims that the two demonstrations were coordinated and had foreign assistance, and that the one in Zagreb involved elements of the Ustashi--a World War II fascist party in Croatia. The obvious weakness of these charges appears to have increased disaffection among the students.

In a speech to a youth delegation on 21 May, Tito charged that foreign enemies had instigated the demonstrations in an effort to destroy Yugoslavia's international prestige and provoke it to return to "Stalinist methods." He censured the youth for taking to the streets rather than settling the matter themselves or bringing it to him. Subsequently, a Zagreb student magazine called for the expulsion from the party of any member involved in the demonstrations, saying that their action showed "ideological immaturity."

Tito indicated in his speech that Zagreb party and local administration officials would be held responsible for the demonstrations.

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The regime's establishment of a commission to investigate the students' complaints appears to

have been primarily a conciliatory step for public consumption, since high party functionaries have expressed bitterness over the students' actions in private statements to US officials.

[REDACTED]

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SPEED-UP CAMPAIGNS FOR EAST GERMAN LABOR

The East German regime has drafted a large majority of the country's industrial labor force to participate in the drive to increase labor productivity by means of various types of labor speed-ups. According to Deputy Premier Heinrich Rau, about 2, - 200,000 of these workers--80 percent of the total--are now using in their work the Seifert method (lost time during work is not counted as working time), the Christof-Wehner method (daily plan fulfillment), or the Petzold method (housewives do part-time agricultural work), or are in some type of brigade or collective work scheme.

The state is reported to have initiated, in addition to these speed-up systems, a campaign for "voluntary unpaid work" by all East Germans, primarily to assist the badly lagging construction industry but also to increase industrial and agricultural output generally. This program calls for participation not only of factory hands but of youths and housewives as well.

Particular emphasis is given to youth group participation. According to Inez Lange, secretary of the Free German Youth central council, "9,600 youth brigades with more than 100,000 members are fighting for fulfillment of the plan,

and about 720 large and small economic projects have been declared youth projects." Among them are a new runway and other facilities at Schoenfeld Airfield in East Berlin, the petroleum pipeline from the USSR, the Schwedt refinery which is to be its terminus, and the Bitterfeld Pipeline Enterprise, which is to produce "a considerable portion of the pipes."

Wage, salary, and norm changes, also designed to increase productivity, are further complicating the East German labor picture and causing worker disquiet. Wages have been raised for a large number of workers, jobs are being reclassified, and work norms increased, but progress in this program is unsteady because of worker opposition and the reluctance of officials and managers to incorporate the changes.

The regime expects these heavy pressures on the East German worker to help achieve the ambitious economic plan for 1959 which calls for an 11-percent increase in industrial output over last year. Harder work is to compensate for the poor technological state of East German industry and the labor shortage caused by a paucity of entrants into the labor force and the westward exodus of workers.

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These repressive measures, stronger than any attempted since Stalin's time, tend to counteract the beneficial effect on public morale of recently improved living conditions and will prob-

ably cause localized disturbances. Already there have been successful strikes against special shifts in two factories in Doebeln and Halle. [] (Prepared by ORR)

25X1

SITUATION IN TIBET

Peiping is making a concerted effort in the wake of the revolt in Tibet to bring about quickly the "democratic reforms" which were postponed in 1957 for a five-year period. The Panchen Lama arrived in Lhasa on 15 June after two months in China. He was accompanied by Wang Feng, one of the regime's leading experts on minorities. Wang's mission presumably is to assess the situation in Tibet and recommend methods to speed up the reform policy.

Some 1,200 Tibetans who have completed studies in China have also returned to Tibet recently. Approximately 60 percent of them are party or Youth League members and have been assigned to areas where the Chinese have had the most difficulty quelling the uprising. Classes to teach the Tibetan language have been set up for Chinese military and party personnel stationed in the area, and 200 Tibetan-speaking Chinese cadres have been returned to their posts in Tibet.

Ngabo Ngawang Jigme, vice chairman and secretary general of the Preparatory Committee for Tibetan Autonomy, who is the ranking Tibetan official

after the Dalai and Panchen Lamas, in a statement on his return from the recent National People's Congress in Peiping, declared a new and "socialist" Tibet will be built "within a short period of time."

Communist news releases no longer mention combat activity and attempt to give the impression that military pacification has been completed.

Peiping's failure to comment on two recent public statements by the Dalai Lama suggests the Chinese Communists now intend to avoid any publicity for the Dalai Lama which might detract from their effort to build up the Panchen Lama.

Should the Dalai Lama use the press conference scheduled for 20 June to declare his goal of Tibetan "independence," the Chinese might attempt to link him with those they refer to as the "small group of reactionaries who oppose reform" in Tibet. In view of Indian concern for relations with Peiping and Nehru's successful effort to date to tone down the Dalai Lama's public comment on the Tibetan situation, the Dalai Lama may again postpone making a strong statement. []

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AGITATION AGAINST COMMUNIST GOVERNMENT IN KERALA STATE

The agitation against the Communist government in Kerala State launched by anti-Communist political and communal groups on 12 June continues with mass demonstrations and sporadic violence. Twelve per-

sons were killed and many injured by police fire during the first four days of the campaign, but serious clashes now appear to be tapering off.

Opposition leaders are determined to maintain their

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agitation indefinitely, in the hope that the Communist government will resign or that a serious breakdown of law and order will cause national authorities to suspend parliamentary government and impose direct rule. The coalition of opposition political groups, led by the Congress party, may have acted prematurely in launching its all-out effort to oust the Communists, since the organizational strength and unity needed to provide an effective alternative to Communist rule is not yet in sight. While the coalition's campaign and the simultaneous agitation by Catholic and Hindu Nair groups against the Communist government's education policies have received widespread popular support, opposition leaders may have difficulty maintaining the momentum of the agitation.

The state Communist party leadership apparently continues to be split over the advisability of resignation of the Kerala government to avoid further damage to the Communist position in the state and elsewhere in India. An executive meeting on 11 June reaffirmed the earlier decision against resignation, although Chief Minister Namboodiripad reportedly sided with those favoring such a move. Publicly, Namboodiripad has maintained a conciliatory pose, reiterating his offer to compromise with the

opposition and inviting Prime Minister Nehru to visit Kerala in the interests of a peaceful solution.

National leaders of the Congress party also seem to have differing views on the Kerala conflict. Congress President Indira Gandhi continues to make strongly anti-Communist statements, while Nehru publicly deprecates the use of violent or unconstitutional means to oust the Communists. While he shares the party's common hope that the Communists will eventually be ousted, Nehru is especially concerned that the Congress party's prestige not be damaged by resort to "undemocratic" methods. New Delhi has sent several top party officials to Kerala to assess the situation. It has also dispatched about 3,000 army troops to the state, mainly to be on hand in case intervention is required and to forestall Communist charges that the central government failed to take proper precautions to maintain law and order.

Unless serious violence recurs, the state government probably will be able to contain the agitation, as it has less intensive campaigns in the past. Communist efforts to implement reform programs and deal with the state's chronic economic problems are likely to be hamstrung, however.

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BURMA

The leading military advisers to the Burmese Government, Training Chief Colonel Maung Maung and Vice Chief of Staff Brigadier Aung Gyi, are urging Premier Ne Win to postpone once again next winter's general elections for the Burmese Parliament and to allow se-

lected career army officers, running as independents, to stand for election. They insist that otherwise the reforms inaugurated by General Ne Win will be dissipated under succeeding political regimes. Ne Win, however, has already publicly called for the elections

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to be held in December or January and appears personally committed to resume his military career regardless of the election outcome. He believes the army is capable of maintaining his government's program without actually holding political office.

Until now, the "political colonels" appeared to favor the "Stable" faction of the Anti-Fascist People's Freedom League (AFPFL), led by Ba Swe and Kyaw Nyein, to succeed Ne Win. However, the inefficiency of previous governments and the chaotic state of affairs which the army inherited when it took over last October seem to have soured the army on all politicians and political parties.

Colonel Maung Maung, sometimes referred to as de facto prime minister, recently called the "Stable" faction "swindlers"

and the "Clean" faction of former Premier Nu, "crooks." Maung Maung asserts that the only arguments against running a full army slate in the next election are a shortage of qualified candidates and the army's inability to compete financially with the party organizations. His scheme is to have army officers in Parliament serve as a "third force," holding the balance of power between the two AFPFL factions. He argues that in all past elections, it was only through army influence that the AFPFL candidates won.

It appears likely that the "political colonels" will continue to follow Ne Win's lead even if unsuccessful in pressing their views on him. Ne Win commands the army's undivided loyalty and general popular support, while neither Maung Maung nor Aung Gyi appears to have a significant personal following. 25X1

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CABINET CHANGES IN IRAN

The replacement of Iran's ministers of foreign affairs, interior, and commerce on 11 June suggests that the Shah, who returned from Europe on 4 June, intends to initiate a more forceful policy in both foreign and internal affairs. He may stop trying to create better relations with the USSR and may come close to breaking relations with Moscow, while pressing at home to carry out his reform program. The Shah recently said he must push reforms in order to divert popular attention and demonstrate that Soviet propaganda charges are absurd.

The Shah removed Foreign Minister Hekmat, who favored the policy that Iran should

open nonaggression treaty negotiations with the USSR. This policy brought on intensive Soviet propaganda attacks when the talks were broken off in February and Soviet leaders realized that Iran was using the negotiations primarily as pressure on the United States for more aid. The Shah now regards Hekmat's attitude as "too old-fashioned to cope with Soviet diplomatic methods."

Prime Minister Eqlal, who has consistently opposed any concession to the USSR, probably helped convince the Shah he should replace Hekmat, together with Interior Minister Batmangelich, with whom Eqlal could not get along, and Commerce Minister Neisari, whom the

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Shah regards as weak. While the Shah was in Europe, there were rumors he might even replace Eqbal, but at the moment Eqbal appears to be in a strong position.

The new foreign minister, Jalal Abdoh, who has been Iran's permanent representative to the UN since 1955, is regarded by the Shah as a strong, experienced, anti-Soviet personality. Newly appointed Minister of Interior Atabaki and Commerce Minister Etebar are considered by the American Embassy as inadequate for their positions.

The public probably hopes the ministerial changes mean the Shah now intends to push

his reform program. There has been growing disillusionment because the Shah has not implemented the principal part of his promised reforms--the conflict-of-interests law which prohibits government employees, members of parliament, and the royal family from making business contracts with the government.

While many antiregime conspirators believe the Shah, regardless of his accomplishments or intentions, must be ousted to make way for a modern republic, some probably have been delaying their planned actions to give him one more opportunity to carry out reforms.

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RACIAL DISORDERS MAY BE IMMINENT IN SOUTH AFRICA

Disorders inspired by African nationalists may occur in the Union of South Africa on 26 June. A nationwide native boycott of goods produced by advocates of "apartheid" (segregation) is to begin on that date, and some African groups in urban areas plan a public mass burning of native identity documents as a gesture of defiance against government racial regulations. Violence and bloodshed could result if the police react with their usual severity to quell the demonstrations.

The South African police apparently are concerned over widespread rumors that the natives plan an uprising against the white population on 26 June--the fourth anniversary of the Freedom Charter, which sets forth the non-Europeans' demands for racial equality. The government has recently purchased 80 armored mobile troop carriers costing over \$3,300,000 for the

protection of police personnel on riot duty and has given selected policemen "riot-suppression training."

The government has acted against African political leaders by banning both the president general of the African National Congress (ANC) and his deputy from political meetings for five years. This action was taken to convince African nationalists of the state's determination to suppress any agitation and to warn that the ANC itself might be banned.

The ANC--which is Communist influenced at top levels--probably is not anxious for a test of strength with the government at this time. Nevertheless, it plans to initiate the native boycott--the most ambitious economic effort yet tried--despite its recognition of the danger of bloodshed. The Nationalist groups planning to burn their identity documents

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have already been warned by the police that any native found without a pass will face immediate arrest and loss of his job.

Violence is likely because of the readiness of the large Boer element on the police force --about one third of whom are 21 years of age or under--to punish native demonstrators. Additional provocation may arise from the presence of African hotheads among the crowd.

At present African nationalists pose no serious threat to South Africa's stability, and the police force--11,000 Europeans and 11,000 non-Europeans--should be able to maintain control. Brutal suppression of African demonstrations, however, would increase the racial tension within the country and strengthen its isolation from the emerging African nations. Bloodshed would also furnish ammunition to United Nations critics of South Africa's racialism.

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INDONESIAN REBEL ATTACKS ON RUBBER ESTATES

Indonesian dissidents are continuing their attacks on agricultural plantations--particularly rubber estates--in North Sumatra in their campaign of economic warfare, now under way for over a year. This campaign has two objectives: to obtain funds, consumer goods, and rubber which they can use in their own trade, and to obstruct or paralyze normal production, thereby depriving the government of its primary source of foreign exchange.

American holdings, which are all rubber estates, constitute only 1 percent of the total estate area in North Sumatra, but they have sustained 35--or 10 percent--of the total number of raids in the past year and have suffered 4 percent of the total estate monetary loss. Twenty-seven of the raids have been made on Goodyear's 40,000-acre Wingfoot estate, the largest rubber plantation in Indonesia, while the remaining eight have been on a smaller Goodyear estate, several US Rubber Company estates, and a small American plantation owned by the Intercontinental Rubber Company.

The severity of the raids is increasing. Fifty well-

armed dissidents attacked Wingfoot on 8 June, burning buildings, robbing, and kidnaping two Indonesian assistants. This raid followed a month-long truce, during which Wingfoot's management was given time to consider a rebel demand for protection money. Troops of an army garrison nearby, recently augmented in strength, failed to respond to Wingfoot's call for help until the next day. On 12 June two separate and very damaging attacks by large rebel groups were made against Wingfoot, and the workers were given an ultimatum to leave the area in three days or be shot. Army troops again were of no assistance, and a number of the laborers are leaving the estate.

In another area, the dissidents are conducting their own rubber-tapping on two small estates belonging to US Rubber. US Rubber refused the rebels' request to collect taxes from the workers on one of the estates, but the threatened rebel retaliation has not yet materialized.

On 16 June, Prime Minister Djuanda informed Ambassador Jones that further troops for the protection of Wingfoot had been ordered and that a military

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In Djakarta, the political impasse created by the Constituent Assembly's rejection of President Sukarno's request for readoption of the 1945 constitution continues. It appears that General Nasution is still working closely with Sukarno and will take no unilateral action, at least until he learns Sukarno's strategy after the latter's return to Djakarta on 28 June.

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CONSTITUTIONAL CRISIS MAY BE DEVELOPING IN SOUTH KOREA

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President Rhee is [] seriously considering giving his support to a constitutional amendment which would restore the office of prime minister and provide for the indirect election of the South Korean president and vice president by the National Assembly. Since his Liberal party controls almost two thirds of the legislature, such changes prior to the 1960 elections would assure his re-election without the necessity of resorting to repressive tactics to overcome growing popular opposition to his administration. This plan would also block the re-election of Vice President Chang Myon, a member of the opposition Democratic party, and could therefore precipitate a constitutional crisis similar to those of 1952 and 1954.

Recent repressive measures by the administration indicate that the Liberal party is prepared to take extreme measures if necessary to assure Rhee's re-election next year. Rhee showed his concern over adverse American reaction, however, on the occasion of both the recent suppression of the pro-opposition Kyonghyang Sinmun, South Korea's second largest newspaper, and the use of force last 24 December to enact legislation designed to undercut local sup-

port for the opposition Democratic party and muzzle public criticism of the government.

In order to avoid further international criticism, Rhee may have become amenable to pressures from elements within his administration who favor greater legislative responsibility. His quid pro quo for accepting a modified cabinet system would be indirect election. He has commented, however, that after next year's election the constitution can be restored to its present form if "conditions so require."

The proposed constitutional change could destroy South Korea's embryonic two-party system by splitting the opposition Democratic party. The faction headed by Vice President Chang Myon opposes any compromise with the administration, but the Cho Pyong-ok faction might be receptive to a deal with the Liberals establishing a modified parliamentary form of government with Cho as prime minister or possibly vice president. Cho's faction has enough assembly votes to give the administration the two-thirds majority necessary to amend the constitution. Liberal party members have held discussions with members of Cho's faction along these lines.

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GUATEMALAN PRESIDENT'S POSITION WEAKENING

A new period of political tensions appears to be developing in Guatemala, where President Ydigoras has been steadily losing political strength.

June and July have traditionally been months of politi-

cal violence there, and this year the situation is complicated by the maneuvering for what promises to be a bitter contest in the important election for mayor of the capital city on 5 July. In addition, Communists are preparing to

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observe the third anniversary of student riots on 25 June by organizing demonstrations, and these could get out of hand. Economic pressures are increasing, largely because of the drop in coffee and cotton prices and the reduction in the past year of US economic assistance.

The capricious Ydigoras, although a skillful political



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manipulator, has failed even to retain the political organization and support which won him 40 percent of the votes in the January 1953 presidential election. He is probably aware of his weakened position and frustrated by his inability to make a spectacular show in any field.

The President may attempt some new gambit to distract attention from his domestic difficulties, although his provocative actions against Mexican fishing boats last December and earlier threats against neighboring British Honduras only fleetingly served this purpose. Ydigoras' grudges against the United States and his failure to obtain additional US economic assistance might lead him to attempt to exploit the anti-US feeling latent among many diverse groups in Guatemala.

Ydigoras' efforts to control Communism have been halfhearted at best, and the Communists have refrained from attacking him in the realization that a successor regime might well be less favorable to their present interests. The President's efforts to curry favor with the increasingly strong non-Communist leftist groups reflect a growing conviction among many Guatemalans that the leftists are the inevitable successors to power in the country.

Extreme rightists, alarmed at these trends and thoroughly disillusioned with Ydigoras, may become sufficiently encouraged by the President's declining political strength to attempt the coup of which they have long talked.

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IMPLICATIONS OF BRAZIL'S FINANCIAL CRISIS

Brazil's break with the International Monetary Fund (IMF) on 9 June and its request to the United States for an emergency loan of about \$300,000,000 are being watched closely in Latin America as a test of US policy. Brazil has put the issue as a question of "basic

confidence" between the two governments. Other Latin Americans--especially opposition elements in Argentina and Chile--have seized on Brazil's break with the IMF to criticize the fund's "failure to understand the Latin American economic situation."

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Rio de Janeiro has been negotiating with the IMF for international loans which were to be conditioned on Brazil's acceptance of a stabilization and austerity program similar to that adopted by Argentina in January. A less stringent program agreed upon last year was only partially implemented. Brazil owes about \$35,000,000 this year on past loans and faces the prospect of defaulting by midsummer. Dollar reserves were down to \$3,600,000 in early June, and coffee sales, which provide about 60 percent of the country's foreign exchange, will hit a seasonal low in the next few months.

President Kubitschek had agreed in principle to most aspects of the IMF's stabilization requirements, but balked at the fund's insistence on removing import subsidies for petroleum and wheat. Price rises resulting from earlier modifications in these subsidies caused serious riots last fall.

Kubitschek, citing reaction in Argentina to the steep rise in living costs there since last January, has stated that his government, without military backing for declaring a state of siege, could not withstand the severe strikes and rioting

that have accompanied the Argentine stabilization program.

Kubitschek evidently does not wish to break completely with the IMF. He has stated publicly that thus far only "technical" talks have been held, implying that further negotiations are possible on a higher level. He has reiterated his refusal to remove oil and wheat subsidies, however. Kubitschek has also agreed tentatively to a US proposal for reshuffling debt repayments in place of a new loan. He is reluctant to announce this, however, fearing the political atmosphere is too highly charged to permit a seeming defeat at the hands of the United States. Brazil's chief negotiator has stated privately that a face-saving formula must be worked out with the US to prevent Brazil's powerful ultranationalist groups from pushing Kubitschek into "Nasirism."

In Argentina, where Frondizi's government is under critical pressure as a result of his US- and IMF-backed stabilization program, the minister of economy fears that continued Brazilian resistance to the IMF may wreck Argentina's reform program.

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PART III

PATTERNS AND PERSPECTIVES

CHINA TIDYING UP ITS COMMUNES

The central committee of the Chinese Communist party, meeting in Shanghai in early April, decided that the tidying up of the communes it had ordered in December had been "well and fruitfully done." The meeting found the communes "healthy" but did see the need for a further period of overhaul. Minister of Agriculture Liao Lu-yen was recently quoted as saying there would be "no question about their efficiency and effectiveness" once the overhaul had been completed.

The tidying-up campaign is being carried out under the terms of a central committee directive issued last December,

The party's immediate objective is to make the communes more efficient instruments of the regime's continuing effort to increase farm output. Most of the changes introduced seem designed to coax more popular support for the communes--particularly to keep up lagging peasant incentives.

In the process, the authorities have been drawing heavily on the experiences of the former cooperative farms. Teng Tzu-hui, who seems to specialize in putting Chinese agriculture back together after one of the party's mass campaigns has disrupted it, recently observed that this dipping into the experiences of the past had yielded "tremendous results." He acknowledged that the communes had not had time to consolidate their organization and that it thus was "only natural" a few shortcomings had developed.

At the time the tidying up began, communes were, ac-

cording to Mao Tze-tung, differentiated from the former collectives by their great size and their communal nature. Moreover, commune activities were of much greater variety. The commune merged workers, peasants, merchants, students, and militia-men into a single entity and provided a range of services designed to release women from the home for productive labor and to foster collective living. All communes still pursue these goals in varying degrees.

The top leadership is still firmly committed to the belief that communes are the best means for China to speed up its "socialist construction" and bring about the eventual "transition to Communism," a position recently endorsed by Chou En-lai at the National People's Congress. They stand as a fundamental reorganization of rural Chinese society.

Organization Aspects

Most communes are still organized on the basis of townships and are composed of a central commune administration, production brigades, and production teams--the last corresponding in most cases to the old collectives. In the tidying-up process, the regime is trying to define the duties and functions of the several echelons of the commune. It is clear that many important responsibilities are, at least for the present, being left at the lower levels. For example, the production team in many cases retains the authority to divide wages among its members, and authorities in Shantung recently decided that the greater part of the 1959 state subsidy to poor communes would be passed directly to the production units.

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The commune level appears to be the principal point of contact between the state and the agricultural area. Following the suggestion of the December resolution, the communes have been tied into the state economic plans through a series of yearly (or seasonal) contracts which lay certain definite production tasks on the commune. When these contracts have been signed, the commune contracts with its production brigades for certain levels of output, and so on down until the individual member is made responsible for a specified level of work performance. While there have been instances of contracts in secondary-farm products directly between state commercial agencies and production, the overwhelming majority appear to be between the state agencies and the commune.

Incentives and Food

When the communes were formed last fall, Peiping proudly announced that they had made a revolutionary change in peasant remuneration by introducing a wage/ration system in which income went directly to the individual rather than the family. Peiping pictured the happy peasant getting his regular wage and eating his fill in the communal mess hall without paying.

It was in this "free" supply of food that party propagandists perceived the first buds of the Communist system of payment according to needs. This scheme--one of the points the USSR objected to--ran into trouble, however, when it proved erroneous on two important scores--that the wage portion alone would provide adequate incentives and that there was an abundance of food. The income of members is being geared more and more to the performance of their assigned work, although the official journal Red Flag recently urged communes to

"protect" payments according to need.

The commune determines the amount of wages a production brigade receives, with some effort being made to give the efficient producers a larger share. The brigade distributes wages to its production teams on the same basis. The production teams pay the member according to his grade and the number of work points earned. He may also get a reward for overfulfilling his tasks or be penalized if he fails badly. Peiping recently urged that a certain amount of "elbow room" be left in work norms so that members can overfulfill them and thereby "gain satisfaction."

Beginning with a plan to vary rations in busy and slack seasons, the move has been toward a system where the size of the ration supplied is tied to the kind of labor performed. Meal tickets have been issued on the basis of age, health, and type of work; these are turned in for food at the communal mess hall. In some cases a small portion of tickets is issued on the basis of work performance.

A further refinement of this system is being introduced in Kwang-tung for the early grain crop. Under it the grain itself is to be distributed to members on the basis of work grades, with a small portion--5 to 20 percent--distributed on the basis of "labor points." The members are then to decide for themselves whether to entrust this grain to the communal mess hall. If they do, the mess hall will keep monthly accounts and return any surplus.

Food has clearly been one of the primary sources of disillusionment with the commune system. When the mess halls were established, the state was in effect undertaking to feed the peasants--a responsibility which must have looked easy in light

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of the regime's claim to have solved its food problem. Then, perhaps to sweeten the commune pill, a somewhat higher level of food consumption evidently was permitted. Peiping even claimed that the members were eating all they wanted.

Peiping decided last winter that the "eating spree" was over. The December resolution asked for more thrift in the operation of the communes, and since that time the need to conserve food in the communal messes has been stressed.

[redacted] mess halls there which were serving three full meals of rice at the beginning of the year are now serving but one and in some cases none. Meals composed of thin gruel or dried sweet potatoes have replaced those centered around rice. A number of mess halls in this area have suspended operations, at least temporarily. Members have been instructed to cook for themselves using food rationed by the government.

The reprieve from communal dining appears so far to be a strictly local development, and even in the south most communal messes are probably still operating. Peiping's propaganda on communes continues to emphasize the benefits to both the regime and the peasants of communal dining, which remains an essential feature of the system.

Private Plots and Hogs

When communes were first being organized last year, peasants in many areas were pictured as "voluntarily" transferring to the communes their "self-retained plots," forests, large implements, hogs, and sheep. It is doubtless one of the objectives of the communes to take over all such assets. The December resolution, however, stipulated that members could retain as private property in-

dividual trees, small farm tools and equipment, and small domestic animals and poultry. Finance Minister Li Hsien-nien amplified this provision a few days later, stating that members individually should be permitted to raise hogs, sheep, chickens, and ducks, as well as vegetables in their own gardens "at the side of houses, in courtyards, and in other open spaces."

At present the regime is exhorting local cadres, which have apparently been somewhat laggard, to encourage members to raise their own hogs (and presumably small domestic animals and fowl). The local cadres have been told to allocate to the peasants for their use small plots--not over 5 percent of the land available per capita in a given area and, in general, "spare land around their houses and by the side of roads and rivers"--on which to grow fodder for the animals. Members are also to be guaranteed a profit on their hog-raising activities and a share of the pork they produce.

Urban Communes

The party's December resolution said that the formation of communes on a large scale in big cities should be "postponed" except for certain preparatory measures. Communes, it said, would be established in large cities--in forms suited to urban peculiarities--only after "rich experiences" had been gained and the "skeptics and doubters" convinced. These experiments are being carried out, but Peiping is not satisfied that the experiences gained so far are rich enough for a general drive to be launched.

The province of Honan, where the pilot project on rural communes was carried out, has been most diligent in its preparatory measures. Starting first with the province's "country towns," which were communalized

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last October, the province has moved to its larger urban centers. By January it was reported that some 97 percent of the province's urban population had been organized into communes. By February the province's capital and largest city, Chengchow, had 16 communes with the usual run of welfare services--including mess halls, kindergartens, nurseries, breast-feeding rooms, and homes for the aged. Residential areas were being "fixed in accordance with the needs of production."

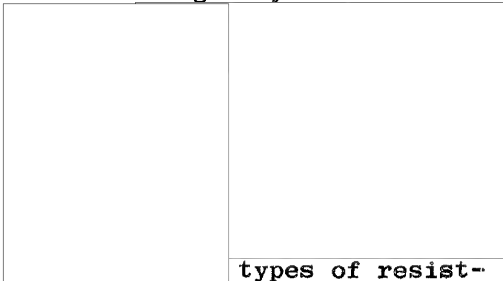
Chiao-tso, a coal mining center in northern Honan, last year merged 44 residential producer cooperatives, 56 agricultural producer cooperatives, and 73 mining and industrial enterprises into 14 urban communes, and by February these had been amalgamated into three communes with a total of 300,000 members. In both places the objective is a single commune for the entire city.

Experiments are also going forward in other areas. Commercial agencies in Chungking have been instrumental in organizing "livelihood committees," which are setting up mess halls, sewing and laundry teams, and bath and barber services. They have also been giving "leadership" to nearby communes in the raising of produce for the city. This latter type of activity is not limited to Chungking and is very likely related to the regime's apparent aim of enclosing within a single commune a good-size city and its hinterland. One such commune has been reported near Peiping. It has 80,000 members, of whom 26,000 are agricultural and the remaining 54,000 factory workers and urban dwellers from Fengtai.

Popular Attitudes

There is little evidence of popular resistance to the commune program, although it

has probably aroused considerable disquiet among the rural population and serious apprehension among city dwellers.



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types of resistance, such as withholding grain from the state and minor pilferage of mess supplies--with or without the assistance of communal cadres--have almost certainly taken place, although evidence is spotty.

The steps taken in the tidying up, while not primarily in response to unrest, will nevertheless reduce the chances that active opposition will develop.

A part of the dissidence in minority areas of West China and Tibet can be blamed on the commune movement. Communalization caused the outbreaks in West China, while in Tibet the mere prospect of such a social change was a sufficient cause for revolt. Communalization of minority areas in Yunnan forced numbers of Kachins and other tribesmen to flee to Burma, and the commune program in the area has been postponed. Most of the Tibetan-inhabited area in western China has been communalized--at least on paper--and Tibet proper will probably follow suit.

Ideology and the Communes

Moscow greeted the formation of communes and the ideological pretensions they reflected with cold reserve, but, since the Chinese publicly retreated from their extreme claims, Moscow apparently finds some defense of the communes both possible and necessary, in the interest of demonstrating Sino-Soviet accord.

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Most Soviet commentary has been intended primarily for nonbloc audiences and seeks to demonstrate that unity with Peiping remains unimpaired, repeated suggestions by Western writers to the contrary. With an eye cocked on bloc audiences, however, Moscow has taken pains to point out that the communes and any advantages they offer are limited to "Chinese conditions."

The restraint and infrequency of Soviet discussion suggest that the Kremlin still

has reservations about the impact of the communes on its leadership of the bloc. The Asian satellites may be an area of special sensitivity, as their conditions closely parallel those of Communist China. North Korea and North Vietnam have made only meager comment on the communes; the former has adopted measures in the countryside suggestive of the communes but has not used that term. The European satellites give Moscow less cause for concern. 25X1

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EDUCATIONAL REFORM IN THE SATELLITES

Stimulated by the educational reform adopted by the USSR last December, which greatly increased the emphasis on vocational training in Soviet schools, all East European satellites except Poland are taking measures designed to further the "polytechnicalization" of education. Bulgaria and Czechoslovakia initiated plans in April for educational reforms, and similar moves are under way or are planned for the other satellites. The reforms are intended to instill the idea of the nobility of labor, to create a reservoir of skilled technicians, and, secondarily, to improve control over youths and win them to the cause of Communism.

Poland is adopting a different approach to the problem, planning only minor changes within the existing system, but with the party exerting closer control, particularly at the university level.

Economic Reasons for Reform

The industrialization and mechanization of the heretofore predominantly agrarian economies of Eastern Europe have required the creation of a reservoir of skilled workers. The

Soviet Seven-Year Plan and its echoes in the recently revised plans of the satellites make this need even more acute. Heretofore transformation of the unskilled peasant into a skilled worker has been left largely to trade schools and to individual economic enterprises. It was impractical, however, for enterprises to be saddled with this function, and there were not enough trade schools to meet the needs of the economy. In 1957 Bulgaria sent unskilled workers to the USSR and Czechoslovakia with the understanding that they would be taught industrial skills, but the results of this approach were unsatisfactory.

Political Reasons

The satellite regimes attach a good deal of importance to reform in the educational field as a prime task in the "building of socialism." According to Communist theory, this task is to instill a "socialist consciousness" among the people, and to eliminate "bourgeois attitudes."

Since 1956, when the Hungarian revolt and the Polish disturbances gave the first prominent evidence of the failure of

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the schools and youth groups to win over youths to the cause of Communism, the satellite regimes have been attempting to improve their control in this sphere, labeling preference for Western dress, music, and literature as manifestations of juvenile delinquency, or "hooliganism." In some countries, such "crimes" were punishable by commitment to forced labor camps; in others, by temporary arrest or ridicule. The most powerful weapon used by the governments to counter "hooliganism" has been their control over admissions policy at the universities and over the granting of employment.

Characteristics of Reforms

"Polytechnicalization" is a unifying of technical and vocational training with academic education. In some satellites manual labor skills are also to be taught. The reasoning behind polytechnicalism is that early and constant exposure to labor will create a "positive attitude" in the students toward work, and that vocational skills can be taught in school rather than after graduation. Polytechnicalization, by reducing still further the amount of purely academic education available to any student, increases the incentive to display the wholehearted Marxist outlook required of those who aspire to higher education.

Certain features associated with polytechnicalization will be incorporated in the reforms of all countries. These include the creation and expansion of systems of specialized and technical schools, night schools, correspondence courses, an increase in Marxist-Leninist indoctrination, and an improvement in the political and professional qualifications of teachers and instructors. Stricter party control of students will be attained by controlling the selection of students for higher education.

Vocational Training in Schools

The feature most commonly associated with polytechnicalization is the introduction of vocational courses into the academic curriculum. Long under consideration in the USSR and in the satellites, trial vocational courses either have been or are about to be introduced in selected schools throughout Eastern Europe.

Rumania was the first satellite to take steps in this direction. Workshops and experimental fields were established at the schools, and work projects and tours to factories and farms were made part of the curriculum during the 1956-57 academic year. Bulgaria followed with experimental vocational training courses in 1957, and Albania, East Germany, and Hungary incorporated such training in some schools in 1958. East German students were required to devote one day a week to work in a factory or on a farm.

Despite regime claims to the contrary, the results have not been satisfactory. In East Germany, farm and factory officials, charged with coordinating student on-the-job training with the local schools, apparently have balked at having unskilled students threaten the fulfillment of their production quotas.

Two methods of vocational training are envisioned: on-the-job training in factories and on farms, or "laboratory" training in workshops and experimental fields attached directly to the schools. Although the latter method is probably the more desirable, especially for training younger students, it is impractical at this time because the necessary space and equipment are not readily available. Once the satellites complete the expansion of their school facilities--programs which the regimes admit will require many

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years--fewer students will be sent to factories and farms for training.

Labor Training

In addition to purely vocational training, students in some satellites are to be subjected to training, which, in the words of a Bulgarian spokesman, is designed to instill "a love of labor." Intended to prepare students for vocational training, these indoctrination projects will be set up for students during the first years of their schooling.

Such projects are to be organized in several ways. Every satellite has fostered some type of "student brigades" which work on "public improvement" projects, primarily during the summer. These brigades are frequently given time off from school in the fall to help bring in the harvest. Youth organizations and the schools themselves are to teach youths "the use of tools" so that by the end of their basic schooling the students will be able to put out a "socially useful product."

The types of labor activity are varied but appear intended primarily to provide the unskilled labor for road building, dam and irrigation construction, and other kinds of construction projects. Results to date in Bulgaria, which has been using such student labor for several months, are not encouraging. Students apparently are not performing their work satisfactorily, become exhausted quickly, and do not fulfill their tasks on time. There have been reports that skilled manual laborers have had to be brought on the job to correct the mistakes made by the students. The questionable results, however, do not appear to have dampened the enthusiasm of the regimes for student "labor training," and the schemes will probably be expanded in other satellites.

Advanced Secondary Education

Vocational courses and labor training, which will be incorporated into primary and the first part of secondary curricula, will permit the student to specialize in one of several vocations. At present, several types of vocational and professional schools exist in each satellite. Under those reorganizations which have already been planned in detail, such as the Czech and Bulgarian programs, these schools are to be expanded and linked closely to the educational process.

In the Czech program, when a student completes his compulsory nine years of education, he will be required to take a course in a specialized school before taking a job in industry or agriculture. Students may also elect to apply at one of three other types of advanced secondary schools, one of which is preparatory for university work.

Other Schools

The eventual aim of the satellite regime appears to be the creation of a unified school system, in which only one type of primary educational school will exist. Several types of advanced secondary schools and several types of institutes of higher learning will be available. Night schools and correspondence courses are not to be as important as they are to be in the USSR, but will nevertheless play a significant role in the immediate future.

Rumania, for example, has charged local peoples' councils with providing night courses for adults who cannot take the time to enroll at a daytime school. Bulgaria will require factories and collective farms to provide similar training for adults who want to improve their academic background or their professional qualifications.

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The Teaching Cadres

More than on any other factor, the success of the educational reforms depends on the degree to which teachers and professors actively support the reforms. In all satellites, particularly in Albania, teachers have been warned that their professional qualifications will have to improve. With the introduction of vocational courses, teachers throughout the bloc will be required to attend special classes after school hours or in the summertime to acquire the vocational background needed to teach their students. Teachers also must attend special courses and lectures on Marxism.

There can be little doubt, however, that the teaching cadres will not accept with enthusiasm these additional requirements on their time and effort. Teachers are known to be a primary source of opposition to polytechnicalization--especially in East Germany.

Other Opposition to Reforms

There is evidence that parents do not favor the reforms because they believe the inclusion of labor and vocational training will detract from the quality of and the amount of time devoted to academic education, and that too heavy a study burden will be imposed on their children. Regime spokesmen are taking great pains to alleviate these anxieties, claiming that the reforms will actually improve academic training. These efforts, however, do not appear to be making much headway. The East German regime has had to retreat in the face of parental opposition by reducing the scheduled number of hours devoted to vocational training.

Poland: A Special Case

Although Poland is plagued with many of the problems faced by the other regimes, it does

not appear to view polytechnicalization as the immediate solution. Warsaw is particularly concerned with the increasing number of students who drop out of school before graduation, with "liberal tendencies" among youths, and with a decline in student discipline and the quality of instruction. While some regime spokesmen have implied that Poland could benefit from the Soviet experiment of polytechnicalization, Warsaw's remedy appears to be one of minor changes within the framework of the existing system, with the party exerting closer control--particularly at the university level.

The length of compulsory basic education will be extended over the next few years from the present seven years to nine. This will be done to enable the regime to maintain control over youths who are not going on to specialized education until they reach the age of 16, when they can go into production. Compulsory courses in Marxism-Leninism will be reintroduced shortly into university curricula and, later, into secondary-school curricula. Such courses have not been compulsory in Polish schools since 1956.

Regime attention at present is focused on higher educational schools, where, in addition to the reintroduction of compulsory Marxism-Leninism courses, greater party control over the admission of students has been effected. Students with job experience will be given preference over those without it. It has been proposed to extend to other colleges the requirement of architectural and construction schools for one year of physical labor before admission. This proposal is in its early stages, however, and has met with considerable criticism in the official youth daily. Greater attention will be paid to the ideological and professional qualifications of teachers, and local party organizations have been directed to participate in curricula planning and execution.

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CONSTITUTIONAL CHANGE IN INDONESIA

Indonesian President Sukarno's current call for a return to the 1945 constitution is motivated by his belief that it would provide a legal basis for his concept of "guided democracy," a program for increasing the powers of the executive at the expense of political parties and Parliament. Indonesia's constitutional history began with the adoption of the 1945 constitution, a vaguely worded document designed to support an improvised, revolutionary government as the Japanese occupation gave way to the returning Dutch. During the ensuing 14 years Sukarno, as the nation's first and only chief executive, has directed the country's political development with little regard for either the word or the spirit of whatever constitution has prevailed.

The 1945 Constitution

Indonesia proclaimed its independence on 17 August 1945, two days after the Japanese surrender, and an independence committee elected Sukarno president of the Republic of Indonesia. The final draft of a constitution was completed within a week and, although considered provisional, was immediately promulgated. This 1945 constitution gave considerable latitude to a strong executive and was designed to support an improvised, emergency government with which to confront the Dutch as they attempted to reoccupy the country.

In practice, little attention was paid to the 1945 constitution except as a revolutionary symbol. It contained a

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provision designed for periods of particular emergency to bypass the legislature and gave full authority to the president with the assistance of a national committee appointed by him. Since elections were impossible, this provision was invoked, and Sukarno and Vice President Hatta appointed a Central National Committee of 120 members.

A deviation from the constitution occurred a few months later when the Dutch declared they would not negotiate with Sukarno, whom they viewed as a Japanese collaborator, but would hold informal discussions with any high official who had no such taint. In November 1945, by presidential decree, the governmental structure was changed to include a prime minister appointed by the president but responsible to the National Committee, which by this time had acquired legislative authority by presidential decree. Except for the gradually increased membership of this body, governmental structure remained relatively unchanged for the duration of the revolutionary struggle. In order to ensure acceptance of the government's actions, Sukarno increased committee membership from time to time until it finally totaled over 400.

The 1945 constitution, therefore, remains relatively untested. Its attraction for Sukarno presumably lies in its vagueness, the predominance of the executive (although one clause could be interpreted to give considerable powers to the legislative branch), and his association of the 1945 constitution with the improvised, free-and-easy governmental structure of the revolutionary period.

The 1950 Constitution

The 1945 constitution was abandoned when the Dutch transferred sovereignty in December 1949. A seven-month period of federal government gave way to

a unitary state under the present provisional constitution.

The 1950 constitution provides for parliamentary government and relegates the president to a relatively passive role. Sukarno had been designated president by an interstate agreement of May 1950. The constitution called for two national elections as soon as possible, one which would elect Parliament and another which would choose a separate body--a Constituent Assembly--to draw up the nation's permanent constitution. These two elections were held in 1955, and the Constituent Assembly was convened in November 1956.

The assembly was almost immediately stalemated by the conflict between nationalist parties and the Moslem parties. The large National party, supported by the Communist party, favored highly centralized government, while the Masjumi and the Nahdlatul Ulama favored a constitution based on Islam and providing for a bicameral legislature which would ensure strong regional representation. The Constituent Assembly became so deadlocked over the questions of regionalism and the role of Islam that the equally controversial issue of presidential powers, after two and a half years of discussions, has yet to be brought up.

"Guided Democracy"

In December 1956, shortly after the Constituent Assembly first met, Sukarno announced his concept of "guided democracy." Imitating Western-style democracy, he said, had not worked, so a pure Indonesian brand would be attempted. When the cabinet fell in early 1957 and interparty rivalries in Parliament prevented the early formation of a new government, Sukarno formed a presidential, nonparliamentary cabinet. He also appointed a high-level National Council which was to

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initiate policy, and a National Planning Board which was to provide economic guidance. In pursuing his "guided democracy," Sukarno encountered the criticism that his experiment was extraconstitutional and therefore illegal.

Return to 1945 Constitution

In late 1958 Sukarno apparently stumbled on the idea that the slow-moving Constituent Assembly could readopt the 1945 constitution. He could thereby achieve simultaneously two objectives: settlement of the constitutional issue and provision of a legal basis for "guided democracy." The 1945 constitution would also justify two pieces of legislation he desired--one which would require reduced political party activity and another which would change the composition of Parliament.

On 22 April 1959 Sukarno requested the Constituent Assembly to readopt the 1945 constitution, but on 2 June the assembly failed to do so in three votes. Although the votes were favorable, they did not reach the required two-thirds majority. The Moslem parties voted solidly against the 1945 constitution while the National and Communist parties supported Sukarno. All political parties initially opposed return to the 1945 constitution, but the National and Communist parties feared alienation of Sukarno more than they feared the effects of readoption.

The army, which since 1957 has held extraordinary powers

under a proclaimed state of war, had consistently hinted that the assembly's failure to accept the constitution might result in an army take-over. The Constituent Assembly voted to go into indefinite recess as of 3 June, and on 2 June Army Chief of Staff General Nasution banned all political activity, claiming that without such a ban "ideological differences" might arouse "fanaticism and other phenomena."

Indonesia has remained outwardly calm since the assembly's action. It appears likely that the army's political ban will preserve the status quo until Sukarno returns to Djakarta on 28 June from a two-month world tour. Most Indonesian officials believe Sukarno will take some form of action to put the 1945 constitution into effect. As an alternative to resubmitting it to the Constituent Assembly, he could submit it to Parliament, where a simple majority rather than a two-thirds vote could pass it, or he could simply proclaim it by decree. A new cabinet probably will be formed some time this summer and, like the present Djuanda government, will be responsible to President Sukarno rather than to Parliament.

The Indonesian Communists, now believed to be the largest party in Indonesia, are unlikely to defy the army's political ban, and, like other elements, will await Sukarno's decisions before deciding on their next moves.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 June 1959

THE TAIWAN ECONOMY

Taiwan continues its moderate economic growth, with industrial production increasing about 5 percent and total gross national product (GNP) by about 6 percent during 1958. Although the economic expansion until now has more than kept pace with the population growth --per capita GNP rose by about

part of this deficit, but an inflationary threat will remain.

The problem of unemployment and underemployment also is serious. Workers who have jobs are fairly well off by Asian standards, but jobs are scarce. The Nationalists estimate that of the 400,000 individuals entering the labor market

between 1957 and 1960, only a little over half will find employment. A considerable decline in real wages since 1953 as a result of inflation has seriously affected the morale of middle-level government and military officials.

**NATIONALIST CHINA:
POPULATION AND GROSS NATIONAL PRODUCT**

	CALENDAR YEARS			
	1955	1956	1957	1958(EST.)
GROSS NATIONAL PRODUCT (MILLION US DOLLARS AT 1957 PRICES)	890	930	986	1,045
POPULATION (ESTIMATE IN MILLIONS, ASSUMING 3.5- PERCENT ANNUAL GROWTH)	9.5	9.8	10.1	10.5
PER CAPITA GNP(US DOLLARS)	94	95	98	100

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2 percent last year--the rapidly increasing population combined with a declining rate of investment could ultimately undermine the island's present prosperity. Long-range stability will require the government to allocate a greater share of its resources to economic development and a lesser share to military and administrative expenses and private consumption--a step which, for political reasons, the government is reluctant to take.

The reduction this year in Taiwan's internationally allotted sugar quota will drop sugar exports--the main source of foreign revenue--to a point where the Nationalists may have to dip into their foreign-exchange reserves. A favorable balance of payments, not counting large amounts of American aid, of \$14,600,000 was recorded in 1958. In the early part of this year

AMERICAN ECONOMIC AID TO NATIONALIST CHINA
(MILLION US DOLLARS)

	FISCAL YEARS						
	1951-54	1955	1956	1957	1958	1959	1960
TECHNICAL AID		3.0	3.4	3.6	3.3	2.5	2.5*
ECONOMIC AID	534.8	98.2	67.2	79.8	56.9	67.5	70.0*
AGRICULTURAL SURPLUS AID (PL 480)				9.8	12.1	11.0	13.4
TOTAL	534.8	101.2	70.6	93.2	72.3	81.0	85.9

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*Proposed

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The presumed emphasis now on recovery of the mainland by "political" rather than military means, as implied in the Chiang-Dulles communiqué of last October, has not resulted in any greater priority for economic development. Largely because of heavily increased military expenditures, a government deficit of about \$26,500,000, or more than one fifth of total budget expenditures is anticipated for next year. The Nationalists will issue \$11,000,000 in bonds to finance

it was feared that withdrawals would be large, but trade statistics for the first quarter of 1959 indicate only a 5-percent drop as compared with the first quarter of 1958. Increased exports of cotton cloth to the United States played a big role in maintaining the export level.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

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There are several favorable factors in the present situation. There are tentative indications of a recent drop in the birth rate, which would be of funda-

NATIONALIST CHINA: CENTRAL GOVERNMENT FINANCES
(MILLION US DOLLARS)

	FISCAL YEARS		
	1957	1958	1959*
EXPENDITURES	227	242	277
REVENUES (INCLUDING US AID)	221	229	260
DEFICIT	6	13	17

*As originally budgeted. Expenditures will be substantially increased by a supplemental appropriation.

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mental importance, but they must await further confirmation. Also, there now is evidence that the government has embarked on a serious attempt to increase exports. A downward revision in the official exchange rate for dollars last November has already induced a boom in textile sales to the United States. Similarly, efforts now are being made to simplify and ease various onerous export procedures and restrictions.

Inflation has been negligible during the past year, indicating continuing public confidence in the state of the economy and in the security of Taiwan. Private firms have been able to finance bond issues, a healthy sign in view of the decline in government-fi-

nanced capital investment. Although the ancient practice of "squeeze" continues in some areas of the economy, there is little evidence of cynical large-scale corruption.

The American Embassy in Taipei believes the economy will remain stable under present con-

NATIONALIST CHINA:
CENTRAL GOVERNMENT DEFENSE EXPENDITURES

	FISCAL YEARS		
	1957	1958	1959*
TOTAL MILITARY SPENDING (MILLION US DOLLARS)	116	126	155
MILITARY SPENDING AS PERCENT OF TOTAL EXPENDITURES	51%	52%	56%
MILITARY SPENDING AS PERCENT OF GROSS NATIONAL PRODUCT	11.8%	12.1%	13.7%

*As originally budgeted. Additional heavy expenditures--the amount of which is still undetermined--were incurred during the off-shore islands crisis in the fall of 1958.

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ditions for the next decade or so, with the help of present levels of American aid, but not for the long term. Nationalist reluctance to give higher priority to economic development may result from a belief that at the end of a decade the fate of the Nationalist cause will have been decided. The Nationalists feel the government either will have ceased to exist or will have returned to the China mainland to face a new and entirely different economic problem.

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